

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015 / 2016 SESSION

DEC5028 – MACROECONOMICS

(For Diploma Students Only)

17 OCTOBER 2015

9.00 a.m - 11.00 a.m

(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 11 pages only excluding the cover page.
2. Answer **ALL** questions for sections A, B and C.
3. Answers for sections A and B should be shaded on the OMR sheet provided.
4. For section B, shade "A" for **TRUE** and shade "B" for **FALSE**.
5. For section C, please write your answers in the answer booklet provided.

SECTION A: MULTIPLE CHOICE QUESTIONS (each question carries 1.5 marks). Answers for this section should be shaded on the OMR sheet provided.

1. Economics is best defined as the study of how people, businesses, governments, and societies _____.
 - A. choose abundance over scarcity
 - B. make choices to cope with scarcity
 - C. use their infinite resources
 - D. attain wealth
2. An incentive _____.
 - A. could be a reward but could not be a penalty
 - B. could be a penalty but could not be a reward
 - C. could be either a reward or a penalty
 - D. is the opposite of a tradeoff
3. In every economic system, choices must be made because resources are _____ and our wants are _____.
 - A. unlimited; limited
 - B. limited; unlimited
 - C. unlimited; unlimited
 - D. limited; limited
4. Macroeconomics is concerned with _____.
 - A. individual consumers
 - B. economy-wide variables
 - C. the effects on Ford Motor of a strike by the United Auto Workers
 - D. government decision making concerning farm price supports
5. The study of the decisions of individual units in the economy is known as _____.
 - A. macroeconomics
 - B. microeconomics
 - C. the study of incentives
 - D. *ceteris paribus* study

Continued.....

6. Gross domestic product is the total _____ produced within a country in a given time period.
- market value of all final and intermediate goods and services
 - market value of all goods and services
 - amount of final and intermediate goods and services
 - market value of all final goods and services
7. The circular flow shows that the household sector earns its income by _____.
- selling factors of production
 - buying factors of production
 - selling goods and services
 - selling financial assets

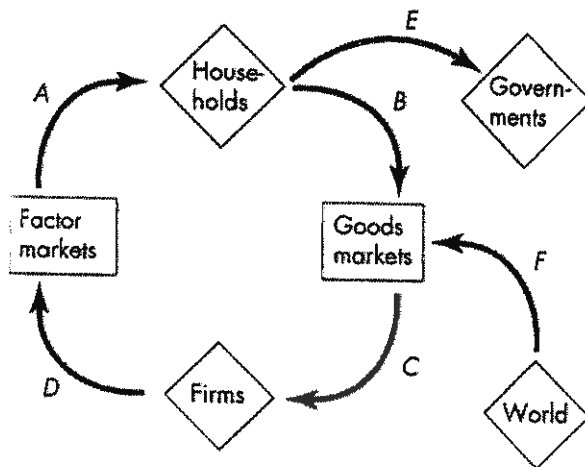


Figure 1

8. In Figure 1, flow *B* represents _____.
- household purchases of goods and services
 - household borrowing
 - household income
 - firms' payments for labour services

Continued.....

Government purchases of goods and services	RM 240
Depreciation	RM 240
Gross private domestic investment	RM 400
Personal income taxes	RM 140
Net taxes	RM 120
Net exports of goods and services	RM 80
Personal consumption expenditures	RM 640
Net interest	RM 100

Table 1

9. From the data in Table 1, GDP equals _____.
- A. RM 1,120
 - B. RM 1,280
 - C. RM 1,290
 - D. RM 1,360
10. National income includes the sum of labour income, rental income, interest income and _____.
- A. profits
 - B. investment
 - C. consumption expenditure
 - D. government expenditure
11. The marginal propensity to consume (MPC) is _____.
- A. consumption divided by income
 - B. the change in consumption divided by the change in income
 - C. the change in consumption divided by the change in saving
 - D. the change in saving divided by the change in income
12. Saving equals to _____.
- A. $Y - C$
 - B. $Y - \text{planned } I$
 - C. $Y - \text{actual } I$
 - D. inventory changes

Continued.....

13. If the marginal propensity to save (MPS) is 0.60, marginal propensity to consume (MPC) _____.
- A. is 0.40
 - B. is 1.60
 - C. is 0.30
 - D. is 0.20
14. If unplanned business investment is RM20 million and planned investment is RM20 million, then actual investment is _____.
- A. RM40 million
 - B. RM20 million
 - C. RM200 million
 - D. -RM20 million
15. Which of the following is **NOT** considered investment?
- A. The purchase of government bonds.
 - B. The acquisition of capital goods.
 - C. The increase in planned inventories.
 - D. The construction of a new factory.
16. Fiscal policy includes _____.
- A. only decisions related to government expenditure on goods and services
 - B. only decisions related to government expenditure on goods and services and the value of transfer payments
 - C. only decisions related to the value of transfer payments and tax revenue
 - D. decisions related to government expenditure on goods and services, the value of transfer payments, and tax revenue
17. Over which of the following categories does the government have more control?
- A. Tax revenue.
 - B. Government expenditures.
 - C. Tax rates.
 - D. The size of corporate profits.

Continued.....

18. When the government sector is included in the income-expenditure model, the equation for aggregate income is _____.
- A. $Y = C + I + G$
 - B. $Y = C + I$
 - C. $Y = C + S - T$
 - D. $Y = C + S + I$
19. Disposable income _____.
- A. increases when net taxes increase
 - B. decreases when saving increases
 - C. increases when income increases
 - D. increases when saving decreases
20. Mary's income is RM1,000 and her net taxes are RM350. Her disposable income is _____.
- A. RM1,350
 - B. RM650
 - C. RM750
 - D. -RM350
21. As a means of payment, the functions of money are _____.
- A. medium of exchange and the ability to buy goods and services
 - B. medium of exchange, unit of account, and means of lending
 - C. pricing, contracts, and store of value
 - D. medium of exchange, unit of account, and store of value
22. A medium of exchange is _____.
- A. an object that sellers will accept as payment
 - B. a measure by which prices are expressed
 - C. an asset that is used to settle future debts
 - D. the thing traded when barter takes place
23. M1 is a measure of _____.
- A. money and includes both currency and checking deposits
 - B. liquidity and in which the most liquid asset is money
 - C. money and includes both savings deposits and currency
 - D. money and includes both savings deposits and money market mutual funds

Continued.....

24. The definition of M2 includes _____.
- I. M1.
 - II. Money market mutual funds.
 - III. Time deposits.
- A. I and II only
 - B. I and III only
 - C. II and III only
 - D. I, II, and III
25. In an economy, there is RM200 million in currency held outside banks, RM100 million in traveler's checks, RM300 million in checking deposits, and RM600 million in savings deposits. The value of M1 is _____.
- A. RM900 million
 - B. RM1200 million
 - C. RM1000 million
 - D. RM600 million
26. In aggregate supply, the quantity of real GDP supplied is _____.
- A. the total expenditures of consumers, investors and government
 - B. the sum of wages, salaries, corporate profits, rents and interest
 - C. only the state of technology
 - D. the total quantity that firms plan to produce during a given period
27. The long-run aggregate supply (*LAS*) curve _____.
- A. has a positive slope
 - B. has a negative slope
 - C. is vertical
 - D. is horizontal
28. The long-run aggregate supply curve is the relationship between the quantity of real GDP supplied and _____ when _____.
- A. the price level; real GDP equals potential GDP
 - B. real GDP demanded; the wage rate is constant
 - C. the price level; real GDP equals nominal GDP
 - D. real GDP demanded; the price level does not change

Continued.....

29. Along a short-run aggregate supply curve, a decrease in the price level means that _____.
- A. more output is produced as consumer demand increases
 - B. less output is produced as firms decrease production
 - C. more output is produced as firms increase production because wages fall more than the price level falls, making it profitable to hire more workers
 - D. output does not change because firms do not change the quantity they produce
30. The labour force is the sum of the _____.
- A. working-age population and the number of unemployed people
 - B. number of employed people and the working-age population
 - C. number of employed people and the number of unemployed people
 - D. total population and the number of unemployed people
31. This type of unemployment reflects the normal amount of unemployed workers who possess skills that will enable them to find another job. This type of unemployment is known as _____.
- A. cyclical unemployment
 - B. frictional unemployment
 - C. structural unemployment
 - D. downtime unemployment
32. The Consumer Price Index (CPI) is a measure of the average of the prices paid by _____ for a fixed basket of consumer goods and services.
- A. urban consumers
 - B. all consumers
 - C. urban wage earners and clerical workers
 - D. consumers living in cities with a population greater than 100,000
33. Suppose the CPI last year is 121 and the CPI this year is 137. The correct method to calculate the inflation rate is _____.
- A. $(137 - 121)/100 = 0.16$
 - B. $137 \times 121 = 258$
 - C. $[(137 - 121)/121] \times 100 = 13.2$
 - D. $(137/121) \times 100 = 113.2$

Continued.....

34. The best definition for economic growth is _____.
- A. a sustained expansion of production possibilities measured as the increase in real GDP over a given period
 - B. a sustained expansion of production possibilities measured as the increase in nominal GDP over a given period
 - C. a sustained expansion of consumption goods over a given period
 - D. a sustained expansion of production goods over a given period
35. Which of the following is used to calculate the standard of living?
- A. Real GDP/Population
 - B. $[(\text{Real GDP in the current year} - \text{Real GDP in previous year}) / \text{Real GDP in previous year}] \times 100$
 - C. The one-third rule.
 - D. Real GDP/Aggregate hours
36. When the quantity of labour demanded exceeds the quantity of labour supplied, the real wage rate _____.
- A. rises to eliminate the labour-market shortage
 - B. falls to eliminate the labour-market surplus
 - C. rises to eliminate the labour-market surplus
 - D. falls to eliminate the labour-market shortage
37. If the exchange rate is above equilibrium, there will be _____ in the foreign exchange market.
- A. a surplus
 - B. a shortage
 - C. a decrease in demand
 - D. an increase in demand
38. If portable disk players made in China are imported into Malaysia, the Chinese manufacturer is paid with _____.
- A. Ringgit Malaysia
 - B. Yuan, the Chinese currency
 - C. international monetary credits
 - D. Euros, or any other third currency

Continued.....

39. The exchange rate is the price at which the _____ of one country exchanges for the _____ of another country.
- A. currency; goods
 - B. goods; goods
 - C. currency; currency
 - D. currency; financial instruments
40. A country's balance of payments accounts record _____.
- A. the country's net indebtedness to foreigners
 - B. its international trading, borrowing, and lending
 - C. the flow of human and nonhuman resources between it and its trading partners
 - D. only its official transactions with other governments

[TOTAL 60 MARKS]

Continued.....

SECTION B: TRUE/FALSE QUESTIONS (each question carries 1 mark).**Answers for this section should be shaded on the OMR sheet provided.****Shade "A" for the TRUE statement and "B" for the FALSE statement.**

41. The marginal benefit is the additional gain from one more unit of an activity.
42. In the circular flow diagram, consumption expenditure is the total payment for consumer goods and services.
43. As interest rates fall, spending increases.
44. The largest source of revenue in the government's budget is personal taxes.
45. As a unit of account, money is used to state prices of all goods and services.
46. A fall in the money wage rate shifts both the *SAS* and *LAS* curves leftward.
47. The three types of unemployment are voluntary, involuntary, and structural.
48. At the full-employment equilibrium in the labour market, there is neither a shortage nor a surplus of labour.
49. A decrease in the value of a currency in terms of other currencies is known as depreciation.
50. Other things remaining the same, the higher the exchange rate for Ringgit Malaysia, the greater the quantity of Ringgit Malaysia supplied in the foreign exchange market.

[TOTAL 10 MARKS]

Continued.....

SECTION C: STRUCTURED QUESTIONS (Total 30 marks).**Answer ALL questions. Answers should be written on the answer booklet provided.****QUESTION 1**

Real GDP (billions of dollars)	<i>C</i> (billions of dollars)	<i>I</i> (billions of dollars)	<i>G</i> (billions of dollars)
100	150	150	150
200	200	150	150
300	250	150	150
400	300	150	150
500	350	150	150
600	400	150	150
700	450	150	150
800	500	150	150
900	550	150	150

Table 2

Table 2 shows the information for the nation of North Hampton. There are no imports to or exports from North Hampton.

- (a) What is the formula to calculate aggregate expenditure? (1 mark)
- (b) Calculate the aggregate expenditure for each level of real GDP. (9 marks)

QUESTION 2

List and describe the **SEVEN (7)** characteristics of money. (14 marks)

QUESTION 3

Macroeconomists can be divided into three broad schools of thought. List and explain briefly the **THREE (3)** macroeconomists schools of thought. (6 marks)

[TOTAL 30 MARKS]**End of Page.**